

FY 2006 Work Plan

Office of Indian Tribal Governments



Tax Exempt Government Entities Division

October 2005
through
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FY 06
Indian Tribal Governments Work Plan

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PLANNING PROCESS

Overview of ITG

The office of Indian Tribal Governments was established in FY 2001 as part of the Service's modernization process. The office is responsible for federal tax administration issues relating to the 564 federally recognized Indian tribes. This includes various employment taxes, excise taxes, anti-money laundering statutes, income taxes, and information reporting. ITG is also responsible to ensure that the Service is in compliance with the provisions of various treaty-based rights of Indian tribes, and various Executive Orders that outline the government-to-government relationship that is required for all interactions.

FY 2006 represents the fifth year of full staffing for ITG, and will mark a continuation of the shift that began in FY 2004 to achieve a better balance between outreach and examinations.

For FY 2006, ITG continued its comprehensive planning process to ensure that the Work Plan reflected input from IRS data, customers, and employees. Responsibility for the development of the Annual Work Plan is vested with the Outreach, Planning, and Review Manager.

At the start of FY 2006, ITG will be staffed at 94% of planned staffing. ITG is scheduled to receive some attrition hiring in FY 2006. As a result, ITG projects that it will complete FY 2006 at 94% of planned staffing.

Although there are only 564 federally recognized Indian tribes, the continuing emergence and growth of tribal economies, largely fueled by gaming, requires ITG to interact with nearly 2200 current tribal entities. Indian tribal governments represent one of the fastest growing segments of the economy, with employment continuing to grow at a steady rate.

Methodology

The Strategic Business Plan identified Trends, Issues, and Problems (TIPs) for FY 2006 at the time of its formulation. The ITG office determined that an accurate Work Plan would require a data-driven approach to help refine the TIP areas into specific areas of focus. This approach would provide additional information on which to actually plan critical work.

To accomplish this objective, ITG embarked on a multiple-stage data collection process, including:

- ✓ a formal analysis of compliance,
- ✓ customer feedback, and
- ✓ environmental scanning by the field.

A Compliance Initiative was initiated in FY 2001, which utilized generally accepted research methodology to analyze compliance by Indian tribal governments. A major component of this effort was an analysis of Master File information and external data that would assist in determining compliance issues that exist on a national scale. This work was repeated in June 2002, July 2003, September 2004, and September 2005, and it assisted in determining issues for the FY 2006 Work Plan. It also is used to create new measures that can be contrasted to data from the prior analyses to determine compliance trends over time. The latest analysis reflected the following issues as being present on a regional or national scale:

- ✓ Anti-Money Laundering Requirements
- ✓ Information Reporting (including withholding on Forms W-2G and per capita distributions from gaming)
- ✓ Tip Reporting Compliance
- ✓ Employment tax filing and payment compliance

ITG attended and participated in numerous meetings during FY 2005 with tribal groups and trade associations. The areas of concern identified through this process include:

- ✓ Anti-Money Laundering Requirements (with added focus on Suspicious Activity Reporting)
- ✓ Tip Reporting Compliance
- ✓ Communication mechanisms with tribes

ITG conducted a Customer Satisfaction Survey during FY 2005, which identified areas of strength where ITG needs to maintain its current efforts, as well as areas for improvement. ITG will repeat that survey in late FY 2006 and contrast the results to determine if improvements have been made. The FY 2006 Work Plan includes continuing actions designed to address the needs identified through the survey, including improved communication mechanisms, web site enhancements, and implementation of Consultation procedures.

Employee feedback secured through the field groups helped to identify issues/customer needs, including:

- ✓ Tip Reporting compliance
- ✓ Employment Tax assistance, with an emphasis on penalty administration
- ✓ Per capita distributions (minor trusts, need-based payments, information reporting)
- ✓ Title 31
- ✓ Gaming issues

In addition to the issues surfaced through data analysis, customer feedback, and employee input, ITG will devote FY 2006 resources to address abusive

issues surfacing within Indian tribal enterprises. We will seek to partner with tribes to address issues regarding promotion of tax schemes, as well as to address internal abuses that harm tribal finances.

Thus, the foundation for the formulation of the FY 2006 ITG Work Plan is based on the TIP area, but refined to specific issues through the analysis of IRS data, customer input, employee input, and environmental scanning. These issues form the basis for the compliance activities to be undertaken in FY 2006. The major areas of emphasis are those that were reflected in the analysis of compliance, and reinforced through customer and employee input. These include Tip Reporting Compliance, Employment Tax accuracy (including deposits and penalties), Anti-Money Laundering, and Information Reporting.

Each manager was provided a summary of the information and then was given the responsibility to determine the resources required to address relevant issues with their impacted tribes in FY 2006. The managers determined the extent of relevancy for each issue in their area, and estimated their resource needs by issue. Each manager was also asked to provide projections for administrative time, leave, training, etc., and to provide a narrative supporting all of their time allocations. The resultant input was compiled, and a meeting was held to review the results. The management team worked to align the Work Plan with all of the guidelines.

The data validated the TIPs that had been initially projected for FY 2006, but the data-driven approach utilized allowed ITG to pinpoint specific issues, and to ensure that a balanced approach is planned for outreach and compliance activities.

WORK PLAN AREAS

ITG will support the Tax Exempt and Government Entities (TEGE) Division major strategies and operating priorities for FY 2006. These strategies address key challenges we face in delivering top quality service to each customer, top quality service to all customers, and productivity through a quality work environment. These include actions to:

- Understand and Improve Compliance – as detailed below, ITG will continue to utilize employee input, customer input, data analysis, and environmental scanning, to secure a comprehensive knowledge of key compliance issues and causes of noncompliance.
- Meet Customer Needs – as detailed below, ITG will work closely with customers through focus groups and a customer satisfaction survey, to ascertain their needs, as well as to design and deliver mutually agreeable remedies to identified compliance concerns and problems whenever possible.
- Improve Organizational Performance – as detailed below, ITG will utilize balanced measures and analyze the results to enhance operations and improve performance
- Improve Knowledge and information Management – as detailed below, ITG will expand its use of data, and continue to use it to identify, track, and measure the impact of all field activities. ITG will continue to support the development and implementation of TREES as its primary work platform
- Build a Highly Qualified and Satisfied Workforce – as detailed below, ITG will continue to train its workforce so that employees have the skills necessary to meet customer needs. ITG will also continue its Knowledge Sharing process to expand technical skills of the ITG workforce, and will continue its use of the employee survey and ITG employee focus groups to identify opportunities for improvements in employee satisfaction.

Budget Activity Code 52, PAC TT

This area represents the resources devoted to Pre-filing Education and Assistance, which includes customer education and outreach, direct and indirect assistance, and coordination of assistance actions between ITG and other functions.

Customer Focus Groups

ITG will continue to utilize a data-driven approach to the identification of compliance needs. This approach includes the continuation of employee

focus groups, customer focus groups, and compliance data analysis. Customer groups will include a minimum of four Consultation listening meetings for FY 2006, currently projected to be held in Alaska, the Pacific Northwest, the Southwest, and the Eastern areas. To meet the focus group needs in this area [the geographical area or the consultation area?], ITG will devote resources to Activity Code 316.

Customer Education and Outreach

ITG will undertake a series of activities that focus on addressing key areas of noncompliance through a combination of targeted outreach, development of new educational products and processes, and conduct of field compliance activities. While focus will be placed on the national and regional issues identified through the research, environmental scanning, and focus groups, local actions will also be supported.

Outreach will focus on key areas such as anti money laundering requirements (a continuing area of national emphasis in all customer segments), employment tax and information reporting requirements, the rollout of Form 944 (annualized employment tax return) and tip reporting requirements. ITG will undertake these efforts with individual tribes, trade organizations, and stakeholder groups. ITG will also continue the issuance of regional newsletters each quarter during FY 2006. These newsletters will again be used to provide additional customer education on technical issues, and to disseminate information on meetings and seminars. The regional approach to these newsletters allows us to meet the diverse needs of our customers, which often vary by geographic area. Time expended in this area will be charged to Activity Codes 121, 122, 123, 125, 127, and 591.

In addition to the regional newsletters, other products to be developed during FY 2006 will include a revision of Publication 3908, Gaming Tax Law for Indian Tribal Governments. ITG will also continue to upgrade its portion of the www.irs.gov web site, and make significant enhancements to information that will assist tribes in the self-determination of compliance problems.

Stakeholder Relationship Management

ITG will continue to identify the optimal partners for joint activities. Stakeholder relationships will be fostered as a mechanism to involve customers in the development of outreach products, and to leverage resources to maximize the benefit of customer education efforts.

Other Actions

ITG will continue three major activities during FY 2006 that are designed to effect operational improvements.

- Balanced Measures - ITG will utilize Balanced Measures to determine Employee Satisfaction, Customer Satisfaction, and Business Results. Data from these measures will assist ITG to ensure that actions undertaken do not adversely impact any of the three areas, and will also assist ITG to identify areas in need of operational improvements in subsequent years.

As part of this process, ITG will continue the structured review of 100% of all examinations, compliance checks, and outreach activities. Time spent in this area will be charged to Activity Code 315.

While the measures being utilized for Employee Satisfaction and Business Results are somewhat consistent with measures used by other functions, ITG will continue its Customer Satisfaction Survey, which is unique. FY 06 will be the fourth year for an annual survey of the 564 federally recognized tribes to ascertain their level of satisfaction with their relationship with the Service. The Outreach, Planning, and Review staff will administer the actual survey. Data collected in prior surveys will continue to serve as a baseline, and FY 2006 data will be analyzed to determine any change.

- Knowledge Sharing – ITG will continue its Knowledge Sharing process that focuses on enhancing employee technical knowledge. This effort concentrates on the transfer of specialized technical knowledge between employees to improve both employee and customer satisfaction. Project codes 275-281 will be utilized to track the resources expended on activities where KSG processes are employed.
- Consultation Policy – ITG will implement procedures during FY 2006 to institutionalize a Consultation process within the IRS. In addition, four Consultation listening meetings will be held, with notifications to be made by mail and web site postings.

Budget Activity Code 64, PAC EF

This area represents the resources devoted to Field Compliance Services, which includes compliance checks, return examinations, anti money laundering oversight, research, and requisite support work.

Workload Selection

ITG will continue to refine the workload selection criteria utilized in prior years. In addition, through various Memoranda of Understanding and Internal Revenue Manual provisions, ITG will partner with internal stakeholders to assist in workload identification in areas such as excise tax, and anti-money laundering.

Workload selection will be monitored to ensure that key areas identified through environmental scanning, research, and focus groups are addressed, and that the actions being assigned represent the optimal approach to the identified issue. ITG will continue to undertake Compliance Checks as a mechanism to better understand customer needs and identify appropriate remedies to compliance issues. During FY 2006, ITG will launch an initiative to empower certain tribal entities to conduct their own Compliance Checks. This will include templates and a structured self-correction program if an area of noncompliance surfaces. ITG will also conduct examinations as necessary. Time expended in workload selection will be charged to Activity Code 313.

Research

ITG will continue its annual analysis of federal tax compliance and will expend resources in Activity Codes 161 and 186 to complete the necessary actions.

Compliance Focus Areas

ITG field compliance workload will focus on the following key areas:

- **Employment Tax**
ITG will address employee vs. independent contractor issues that are identified through the filing of Forms SS-8, compliance checks, or regular workload selection. Time expended in this area will be charged to Activity Codes 587, 463, and 465.

ITG will continue to address tip income compliance issues within tribal gaming and food service entities. This includes solicitation and maintenance of Tip Rate Determination Agreements (TRDA) and Gaming

Industry Tip Compliance Agreements (GITCA), as well as necessary examinations where there is a likelihood of noncompliance. Time expended in this area will be charged to Activity Codes 575 and 463.

- Anti-Money Laundering

ITG, in concert with the Bank Secrecy Act (BSA) staff in SBSE, will undertake actions to ensure that Indian tribal governmental entities subject to the BSA are properly identified and are fully aware of the requirements of the BSA. ITG will also provide assistance to SBSE as required, in the conduct of any BSA examinations involving tribal entities. ITG will also conduct BSA Compliance Checks, to validate that tribal entities are meeting requirements in regard to training, program oversight, and recordkeeping. Time expended in this area will be charged to Activity Codes 509 and 591.

- Information Reporting

ITG will work with tribal governments to resolve questions regarding the taxability of distributions to members, including per capita vs. general welfare distributions.

Reporting compliance in the proper filing of Forms 1099 and W-2G will be addressed through field compliance actions, including both compliance checks and examinations.

Time expended in this area will be charged to Activity Codes 587, 463, 470, and 520.

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TRAINING

Course Number 4300

Continuing Professional Education will be conducted for 70 ITG participants at 32 hours each. The course will address technical topics, emerging issues, and work process changes.

TREES

Training will be conducted for all ITG staff at 32 hours each on the planned workcenter known as TREES. The course will instruct staff on the utilization of the applications within the workcenter, as well as on process changes required to be implemented as the new automation application is rolled out.

Course Number 4256

RICS Phase I and II training will be conducted for one OPR staff member at 40 hours for each course, in order to enhance workload selection capabilities.

Course Numbers 3171

Eight staff members will receive Criminal Summary Expert Witness training.

Comprehensive Advanced Access for Programmers

Out-service training will be conducted at 40 hours for one OPR analyst to acquire knowledge to support enhanced MS Access applications being developed within ITG.

Appendix – Form 5440

FY2006					
ITG PLANNING ASSUMPTIONS WORKBOOK					
				Technical Time Objectives	
Line	Activity Code	Project Code	Description of Activity	Planned Staff Days (SDs)	Percentage of Planned Staff Days
BAC 52 -OUTREACH AND EDUCATION					
PAC TT - TAXPAYER COMMUNICATION AND EDUCATION					
A. EDUCATION					
1	121	4754, 4755, 4756, 4757	Sponsored/Co-Sponsored Events		
2	122	4754, 4755, 4756, 4757	Non-Sponsored Events		
3	123	4754, 4755, 4756, 4757	Exhibiting		
4	128	4275-4281, 0428, 0999	CEO-Reserved		
5					
6					
7			Total Education (Lines 1 - 6)		
B. COMMUNICATIONS					
8	115	4275-4281, 0428, 0999	News Releases, Announcements & Notices		
9	124	0428, 4758-4761, 0999	Websites		
10	125	4275-4281, 0428, 0999	Newsletters		
11	126	4801, 4803, 4805, 0999	Forms/Publications		
12	127	4275-4281, 0428, 0999	Customer Partnerships		
13	129	4275-4281, 0428, 0999	CEO-Reserved		
14			Total Communications (Lines 8 - 13)		
C. CUSTOMER ASSISTANCE/VOLUNTARY COMPLIANCE/WALK-IN CAP					
15	100	4275-4281, 0999	Taxpayer Assistance/ VITA		
16					
17					
18			Total Projects (Lines 15 - 17)		
D. PROGRAM MANAGEMENT AND DEVELOPMENT					
19	106	4275-4281, 0428, 0999	Program Management Staff Activities		
20	116	4275-4281, 0428, 0999	Review and Conference		
21	120	4275-4281, 0428, 0999	Strategic/Program Planning and Monitoring		
22	137	4275-4281, 0428, 0999	Technical Advice/Technical Assistance Request		
23					
24	145	4275-4281, 0999	Correspondence (General Coordination)		
25					
26	166	4275-4281, 0428, 0999	IRM and Other Internal Management Documents		
27	172	4275-4281, 0428, 0999	Legislative Projects		
28					
29	316	4108, 0428	Focus Group		
30					
31	715	0428, 0999	GAO/TIGTA/Other Reviews		
32	717	0428, 0999	Management Reviews and Other Program Visits		
33					
34					
35					
36					
37					
38			Total Management and Administrative (Lines19 - 37)		
39	TOTAL BAC 52 PAC TT (Lines7+14+18+38)				

BAC 64 - EXAMINATION					
PAC EF - FIELD EXAMINATIONS					
A. EXAMINATION CATEGORIES					
40	*014, *059, *060, *077, *078	0000, 0999, 4275-4281	Form 720		
41	*197	0000, 0999, 4275-4281	Form 11-C		
42	*198	0000, 0999, 4275-4281	Form 730		
43					
44	*463	0000, 0999, 4275-4281	Form 945		
45	*464	0000, 0999, 4275-4281	Form 940		
46	*465	0000, 0999, 4275-4281	Form 941		
47	*466	0000, 0999, 4275-4281	Form 942		
48	*467	0000, 0999, 4275-4281	Form 943		
49	*468	0000, 0999, 4275-4281	CT-1		
50	*469	0000, 0999, 4275-4281	CT-2		
51	*470	0000, 0999, 4275-4281	Form 1042		
52	505	4275-4281, 0999	Section 115 Issues		
53	509	4275-4281, 0999	Form 8300 Compliance Review		
54	521	4275-4281, 0999	Excise Compliance		
55	575	4183	TIP Compliance Restuarant		
56	575	4184	TIP Compliance Gaming		
57	575	4185	TIP Compliance Other		
58	587	4275-4281, 0428, 0999	Employment Tax Compliance		
59	591	4180	Title 31 Compliance Review		
60	591	4181	Title 31 Identificaton		
61	591	4182	Title 31 Outreach and Education		
62	*202-290	0000, 0999, 4275-4281	Form 1120		
63	*481-483	0000, 0999, 4275-4281	Form 1065		
64	506, 520	4275-4281, 0999	TDI's & Information Returns Penalties		
65	*530-541-543	0000, 0999, 4275-4281	Form 1040		
66	Above With *	4090	OJT Casework		
67	101	0999	Taxpayer Assistance-Postfiling		
68	320	4275-4281, 0428, 0999	Exam Closing Agreement Programs		
69	593	4270-4274	ADAPT		
70					
71					
72					
73					
74					
75					
76					
77					
78			Total Examination Categories (Lines 40-77)		
B. MARKET SEGMENT PROGRAMS					
79	Above With *	4186	ITG (Reserved)		
80	Above With *	4187	ITG (Reserved)		
81	Above With *	4188	ITG (Reserved)		
82	Above With *	4189	ITG (Reserved)		
83	Above With *	4190	ITG (Reserved)		
84	Above With *	4261	ITG (Reserved)		
85	Above With *	4262	ITG (Reserved)		
86	Above With *	4263	ITG (Reserved)		
87	Above With *	4264	ITG (Reserved)		
88	Above With *	4265	ITG (Reserved)		
89	Above With *	4266-4269	ITG (Reserved)		
90	160	4275-4281, 0428, 0999	Projects and Studies		
91	161	4275-4281, 0428, 0999	Market Segments and Profiling Strategies (R&A T)		
92	183	4275-4281, 0428, 0999	Compliance Research		
93	184	4275-4281, 0428, 0999	Fed State/Fed Local/Governmental Coordination		
94	186	4275-4281, 0428, 0999	Other Research		
95					
96					
97			Total Market Segment Categories (Lines 79-96)		

C. OTHER OPERATIONAL & EXAMINATION SUPPORT ACTIVITIES					
98	152	4275-4281, 0999	Automation Activities		
99	153	4275-4281, 0999	Workcenter Coordination/TREES Activity		
100	154	4275-4281, 0999	Quality Programs		
101	155	4275-4281, 0428, 0999	Grand Jury & Litigation Assistance		
102	156	4275-4281, 0999	Database Management		
103	164	4275-4281, 0999	General Support/Management Assistant		
104	189	4150-4151	Satisfaction Surveys		
105	191	4275-4281, 0999	Recruitment Activities		
106	313	4275-4281, 0428, 0999	Classification		
107	314	4275-4281, 0428, 0999	Surveys		
108	611	4275-4281, 0999	General Support (Clerical)		
109	612	4275-4281, 0428, 0999	Inventory or AIMS		
110	707	0999	Field Focus Group Participation		
111	720, 721	0428, 0999	Reserved		
112	187	4275-4281, 0428, 0999	Strategic/Program Planning and Business Performance		
113	315	4703-4704, 0428	GEQMS and Mandatory Review		
114	151	4275-4281, 0999	Voluntary Compliance Programs		
115	140	4275-4281, 0428, 0999	Strategic/Program Planning and Business Performance		
116			Total Other Operational and Examination Support Activities (Lines 98 - 113)		
117			Total BAC 64 PAC EF (Lines 78+97+114)		
A. INDIRECT/ADMINISTRATIVE					
118	610	0999	Non-Case Technical		
119	730	0999	Administrative Duties		
120			Total Indirect/Administrative (Lines 116 - 117)		
B. MANAGEMENT					
121	619	4275-4281, 0428, 0999	Group Manager		
122	630	4275-4281, 0999	Senior Management		
123	660	4275-4281, 0999	Other Management		
124	670	4275-4281, 0999	Executive (SES)		
125	680	4275-4281, 0428, 0999	Case Related Management		
126			Total Management (Lines 119-123)		
C. TRAINING					
127	681	4275-4281, 4750-4751, 0428	Formal Training		
128	682	4275-4281, 4750-4751, 0428	On-The-Job Training		
129	683	4275-4281, 4750-4751, 0428	Other Training		
130	684	4750-4751	Continuing Professional Education (CPE)		
131	685	4754-4757	Development of Training Material		
132	686	4754-4757	Instructor Assignments		
133			Total Training (Lines 125-130)		
D. Details/Leave					
134	820	4001-4009	Details		
135					
136	830, 831, 840, 860	999	Leave		
137			Total Other Operational (Lines 118+124+131+132+133)		
138			Total Operational (Line 39 + 115)		
139			TOTAL WORK TIME (135 + 136)		
140			TOTAL FY 2004 ITG TECHNICAL STAFF DAYS (Lines 134+137)		